

1 **Q. Please provide in a table the rate base upon which your rate of return was derived,**
 2 **showing the increase/decrease as the case may be for each of the following years:**
 3 **2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, and 2018, and the**
 4 **anticipated rate base for 2019.**

6 A. Table 1 provides the rate base for each year from 2008 to 2019F, increase from the prior
 7 year and the percentage of increase year over year.

Table 1			
Average Rate Base by Year¹			
(\$000s)			
Year	Rate Base	Increase	% Increase
2008	820,876	32,320	4.1%
2009	848,493	27,617	3.4%
2010	875,210	26,717	3.1%
2011	876,356	1,146 ²	0.1%
2012	883,045	6,689 ²	0.8%
2013	915,820	32,775	3.7%
2014	964,930	49,110	5.4%
2015	1,019,082	54,152	5.6%
2016	1,061,044	41,962	4.1%
2017	1,092,254	31,210	2.9%
2018F ³	1,116,794	24,540	2.2%
2019F ⁴	1,143,765	26,971	2.4%
2019F ⁵	1,146,293	29,499	2.6%

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 11
 12 Over the period 2008 to 2017 Newfoundland Power's rate base has grown by \$271
 13 million, or an average of 3.3% annually.⁶ The plant in service that comprises the
 14 Company's rate base is long lived assets with service lives typically in the range of 30 to
 15 40 years. Inflation over the past 30 to 40 years ranged from 180% to 335% resulting in
 16 significantly higher replacement cost for these assets when they reach the end of their
 17 service life.⁷ Over the same period, the number of customers served has also grown.⁸

¹ Rate Base for 2008 to 2017 are as reported in Return 3 of Newfoundland Power's Annual Reports to the Board.

² Rate Base for 2011 and 2012 reflects the sale of poles approved by the Board in Order No. P.U. 21 (2011).

³ The forecast rate base for 2018 is found in Exhibit 3 of Newfoundland Power's 2019/2020 General Rate Application.

⁴ Rate Base for 2019 forecast is based on existing rates as set forth in Exhibit 5 of Newfoundland Power's 2019/2020 General Rate Application.

⁵ Rate Base for 2019 forecast is based on proposed rates as set forth in Exhibit 5 of Newfoundland Power's 2019/2020 General Rate Application.

⁶ Information on capital expenditures over this period can be found in the response to Request for Information CA-NP-002.

⁷ Inflation based on the Conference Board of Canada GDP Deflator, January 26, 2018.

1 As a result, an increase in rate base is to be expected as older assets are replaced and new
2 customers are added.

3
4 Maintaining 30 to 40 year old deteriorated plant, particularly in areas subject to severe
5 weather conditions, requires Newfoundland Power to incur operating costs to reinstate
6 service on a recurring basis. Replacing 30 to 40 year old deteriorated plant has tended to
7 help Newfoundland Power reduce its operating costs by reducing failures. Reduced
8 failure also improves the level of reliability that customers experience.⁹ Asset
9 replacement has the effect of increasing capital costs, which is principally the result of
10 long-term inflation.

11
12 These operating and capital costs are ultimately reflected in the rates charged to
13 Newfoundland Power’s customers. The year-to-year mix of operating and capital costs
14 recovered in customers’ rates is not a matter of fundamental importance. Stability of
15 customer rates is, on the other hand, very important.¹⁰ Newfoundland Power’s goal is to
16 maintain reasonable levels of reliability without significantly increasing the total costs to
17 be recovered in rates from customers. To date Newfoundland Power has been successful
18 in this.¹¹

19
20 For example, since 1997 Newfoundland Power’s *total* contribution (all costs including
21 capital costs) to average customer rates in the *long term* has shown a high degree of
22 stability. Newfoundland Power’s *long term* contribution to customer rates over the past
23 20 years has increased by approximately 12%, or approximately 0.6 % per year, well
24 below inflation.

25
26 Newfoundland Power’s cost management and reliability performance over the *long term*
27 has been consistent with power being delivered to consumers in the province at the
28 lowest possible cost consistent with reliable service in accordance with the power policy
29 of the Province as set forth in Part I of the *Electrical Power Control Act, 1994*.

⁸ For example, over the 20 year period from 1997 to 2017 the number of customers served by Newfoundland Power has grown from 212,359 customers in 1997 to 266,450 in 2017, or approximately 25%.

⁹ See the response to Request for Information CA-NP-002.

¹⁰ In Order No. P.U. 36 (2002 – 2003) the Board stated that “stable and predictable year over year capital budgets for NP is a desirable objective which will assist in fostering stable and predictable rates for customers into the future.”

¹¹ Chart 7 of the *2019 Capital Plan* shows the improvement in reliability achieved over the past 20 years from 1998 to 2017.